

# Audit



# Report

OFFICE OF THE INSPECTOR GENERAL

**CASH IMPACT OF THE CONSUMABLE  
ITEM TRANSFER, PHASE II**

Report No. 98-071

February 11, 1998

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**Department of Defense**

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### **Acronyms**

CIT	Consumable Item Transfer
DLA	Defense Logistics Agency
ICP	Inventory Control Point



INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
400 ARMY NAVY DRIVE  
ARLINGTON, VIRGINIA 22202-2884



February 11, 1998

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)  
DEPUTY UNDER SECRETARY OF DEFENSE (LOGISTICS)  
ASSISTANT SECRETARY OF THE NAVY (FINANCIAL  
MANAGEMENT AND COMPTROLLER)  
ASSISTANT SECRETARY OF THE AIR FORCE (FINANCIAL  
MANAGEMENT AND COMPTROLLER)  
DIRECTOR, DEFENSE LOGISTICS AGENCY  
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Audit Report on the Cash Impact of the Consumable Item Transfer, Phase II,  
FY 1997 (Report No. 98-071)

We are providing this report for your information and use. This report is the third in a series of reports regarding the Consumable Item Transfer, Phase II. The audit was requested by the Under Secretary of Defense (Comptroller), Deputy Comptroller (Program and Budget). We considered management comments on a draft of this report in preparing the final report.

Comments on the draft report conformed to the requirements of DoD Directive 7650.3 and left no unresolved issues. Therefore, no additional comments are required.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Mr. Tilghman Schraden, Audit Program Director, at (703) 604-9186 (DSN 664-9186) (tschraden@dodig.osd.mil) or Mr. Pat Golden, Audit Project Manager, at (215) 737-3881 (DSN 444-3881) (jgolden@dodig.osd.mil). See Appendix C for the report distribution. The audit team members are listed inside the back cover.

Robert-J. Lieberman  
Assistant Inspector General  
for Auditing

## **Office of the Inspector General, DoD**

**Report No. 98-071**  
(Project No. 7LD-5038)

**February 11, 1998**

### **Cash Impact of the Consumable Item Transfer, Phase II, FY 1997**

#### **Executive Summary**

**Introduction.** This audit was requested by the Under Secretary of Defense (Comptroller), Deputy Comptroller (Program and Budget). This report is the third in a series of reports regarding the consumable item transfer (CIT), phase II. The Deputy Secretary of Defense directed the transfer of the management of consumable items to the Defense Logistics Agency (DLA) in July 1990. The transfer process was separated into two phases. The CIT, phase I, was completed in November 1995, and phase II was scheduled for completion in FY 1998. In November 1995, the Military Departments threatened to stop the phase II transfer unless DLA agreed to reimburse the Military Departments' Supply Management business areas of their Defense Working Capital fund to compensate the Military Departments for the estimated lost sales revenue from phase II items. As a result, the Under Secretary of Defense (Comptroller), Deputy Comptroller (Program and Budget), issued Program Budget Decision No. 425 in December 1996, which showed the potential cash impacts for the Military Departments' Supply Management business areas of the Defense Working Capital fund to be \$146.4 million for FY 1996 and \$394.1 million for FY 1997. For FY 1996, Inspector General, DoD, Report No. 97-106, "Consumable Item Transfer; Phase II, Cash Imbalance Issue," March 5, 1997, stated that DLA calculated the reimbursement to the Military Departments at \$66.5 million (see Appendix B).

**Audit Objectives.** The audit objectives were to report on the cash impact of the CIT, phase II, during FYs 1997 and 1998 on the Army, Navy, Air Force, and DLA Supply Management business areas of the Defense Working Capital fund. We also included a review of the management control program as it applied to the audit objectives. This report discusses the cash impact of the CIT, phase II for FY 1997. We will cover the objective for FY 1998 in a later report.

**Audit Results.** Except for items transferred between DLA inventory control points, the methodology and data that DLA used to compute the reimbursement amounts for CIT, phase II items were objective and accurate. Using the DLA methodology, the FY 1997 reimbursement to the Military Departments' Supply Management business areas of the Defense Working Capital fund was approximately \$229.1 million (see Part I).

Management controls applicable to the audit objective were deemed to be adequate in that we did not identify any material management control weaknesses.

**Summary of Recommendation.** We recommend that the Director, DLA, determine the FY 1997 sales and obligations for CIT, phase II items that were transferred between DLA inventory control points during FY 1997.

**Management Comments.** The Deputy Director, DLA concurred with our recommendation and agreed, where possible, to determine the additional amount of sales and obligations that are attributable to CIT, phase II items that were transferred between DLA inventory control points. The Deputy Director also agreed with the reimbursement amount of \$229.1 million. See Part I for a discussion of management comments and Part III for the complete text of those comments.

**Audit Response.** Comments from the Deputy Director were responsive. We will verify the amounts of the additional sales and obligations in our scheduled audit on the CIT, phase II cash impact for FY 1998.

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## **Part I - Audit Results**



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## **Audit Background**

This report is the third in a series of reports regarding the consumable item transfer (CIT), phase II. We performed the audit in response to a request from the Under Secretary of Defense (Comptroller), Deputy Comptroller (Program and Budget), concerning a cash imbalance issue for FY 1997.

**Consumable Items.** Consumable items are those supply items that are consumed in use or discarded when worn out or broken because they cannot be repaired economically. Consumable items include not only common usage, low-cost supplies and minor parts, such as fasteners and gasket materials, but also high-priced, sophisticated spare parts, such as microswitches; miniature components; and precision valves, that are vital to operating major weapon systems. As of December 1989, DoD managed approximately 4.1 million consumable items. Of the 4.1 million items, 2.9 million were managed by inventory control points (ICPs) of the Defense Logistics Agency (DLA) and 1.2 million were managed by ICPs of the Army, the Navy, the Air Force, and the Marine Corps.

**Transfer Approval.** In 1990, the Deputy Secretary of Defense approved the transfer of the management of consumable items from the Military Departments to DLA. A management team comprising representatives from the Office of the Secretary of Defense, the Military Departments, and DLA was formed to review all facets of the CIT. The management team used item management codes to develop a filter criteria to categorize consumable items that the Military Departments managed. In December 1990, the Deputy Assistant Secretary of Defense (Logistics) approved the filter criteria. Consumable items were to be transferred in two phases. Phase I consisted of routine, less complex consumable supplies and spare parts. Phase II consisted of items that were more complex and sophisticated because of their design instability and unique end item and critical applications, or because they required intensive management.

**Transfer Plan.** The Military Departments and DLA developed a plan for the transfer of management, technical, and supply data in monthly increments. In phase I about 760,000 items were transferred to DLA during a 4-year period that ended November 1995. In phase II, the Military Departments reviewed items to identify those that required continued Military Department management. Items not requiring Military Department management were to be transferred to DLA during CIT, phase II.

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**Phase II Transfer.** The first increment of phase II items was transferred to DLA in January 1996. As of September 1997, the Military Departments had transferred to DLA about 117,000 of the 151,000 consumable items planned for transfer. The phase II completion date, originally planned for September 1997, has been extended to June 1998.

**Cash Imbalance Issue.** In November 1995, the Military Departments, concerned with the amount of anticipated lost revenues from the sale of CIT, phase II items, informed the Deputy Under Secretary of Defense (Logistics) and the Director DLA, that they would stop the phase II transfer indefinitely. The suspension would end with a suitable resolution of the Defense Working Capital fund cash implications of the phase II transfer. In DoD, the general agreement was that the gaining DLA ICPs would experience a cash benefit from the sales of the additional items managed as a result of the CIT. Conversely, the losing Military Department ICPs would incur a related reduction in cash from the loss of sales from items transferred. In the CIT process, the losing Military Department ICP does not receive sales collections after items are transferred but continues to make disbursements for items that are on order at the time of transfer. To avoid reduced operations and readiness in the Military Departments and to ensure a cash neutrality with the CIT, phase II, the Deputy Comptroller requested the Military Departments to submit estimates of the cash impact of CIT, phase II. As a result, the Military Departments submitted estimates totaling \$540.5 million (\$146.4 million for FY 1996 and \$394.1 for FY 1997). No estimates were submitted for FY 1998. We issued a draft audit report in November 1996, that verified sales and obligations for FY 1996 CIT, phase II item transfers. Based on our draft report, the Deputy Comptroller issued Program Budget Decision No. 425 in December 1996. Decision No. 425 stipulated that the Military Departments would be reimbursed \$66.5 million for FY 1996 and estimated that they would be reimbursed \$199.6 million for FY 1997 and \$99.8 million for FY 1998.

## **Audit Objectives**

The audit objectives were to identify the FYs 1997 and 1998 cash impacts the CIT, phase II, had on the Army, the Navy, the Air Force, and the DLA Supply Management business areas of the Defense Working Capital fund. We also included a review of the management control program as it applied to the audit objectives. This audit covered the objectives for FY 1997. The objectives for FY 1998 will be covered in a later report. See Appendix A for a discussion of the scope and methodology and the management control program. See Appendix B for a summary of prior coverage.

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## **Cash Reimbursements for Consumable Items Transferred**

The DLA used a method to compute the cash reimbursement amounts due the Military Departments for the CIT, phase II items transferred to DLA that was correct. However, DLA excluded reimbursement amounts for items further transferred between DLA ICPs. The DLA based the reimbursement amounts on total sales less obligations incurred for phase II item stock replenishments. Using the DLA methodology, the reimbursement amount of \$229.1 million was appropriate for FY 1997.

### **Military Department Methodology for Computing Cash Reimbursements**

For FY 1996, the Deputy Comptroller (Program and Budget) requested the Military Departments to submit estimates on the cash impact that the CIT, phase II would have on the Supply Management business area of their Defense Working Capital funds. Each Military Department computed cash reimbursements differently. The Army used anticipated cash outlays on vendor deliveries for outstanding orders on phase II items as the basis for computing the cash reimbursement amount. The Navy based its reimbursement estimate on projected sales that would be lost for those items that would be transferred to DLA. The Air Force used the value of lost sales and included disbursements for CIT, phase II items that were on order at the time of transfer. As discussed in Inspector General, DoD, Report No. 97-106, "Consumable Item Transfer, Phase II, Cash Imbalance Issue," March 5, 1997, none of the Military Department methodologies accurately computed the reimbursement amounts.

### **DLA Methodology for Computing Cash Reimbursements**

The DLA devised a method to compute the cash reimbursement amounts due the Military Departments for the CIT, phase II items transferred to DLA. DLA developed a methodology to obtain the actual cash impact of the CIT, phase II. Actual sales were totaled for FY 1996; and the FY 1996 obligations that DLA incurred during FY 1996 to replenish inventory were subtracted to arrive at the net reimbursement amount. In Report No. 97-106, we recommended, and the Deputy Comptroller agreed, that the DLA methodology be used for the FY 1996 reimbursements and for reimbursements for the remainder of the CIT, phase II transfer.

## Audit Verification of DLA Calculations

**FY 1997 Reimbursement Amount.** Using the DLA methodology, we determined that the reimbursement amount of \$229.1 million was appropriate for FY 1997. Based on the September 30, 1997, sales and obligations amounts that DLA accumulated, reimbursement to the Military Departments for FY 1997 would total about \$229.1 million, which is the net amount of \$410.9 million in sales less \$181.8 million in obligations. The table below shows the reimbursement amounts for each Military Department. The total amount of reimbursements is \$29.5 million more than the Deputy Comptroller estimated in the December 1996 Program Budget Decision No. 425.

**DLA Calculations and Deputy Comptroller Estimates for FY 1997 CIT,  
Phase II, Reimbursement Amounts  
(millions)**

<u>Military Department</u>	<u>DLA Calculations</u>	<u>Deputy Comptroller Estimates</u>	<u>Difference</u>
Army	\$41.6	\$ 42.4	\$ (0.8)
Navy	76.7*	74.8	1.9
Air Force	<u>110.8</u>	82.4	<u>28.4</u>
<b>Total</b>	<b>\$229.1</b>	<b>\$199.6</b>	<b>\$29.5</b>

\*Includes about \$1.9 million for the Marine Corps

The DLA amounts are supported by individual sales and obligations for each item transferred. The sales data can be tracked to actual document numbers for requisitions that customers submitted to DLA ICPs. The obligations data can be tracked to the contracts that DLA awarded to replenish inventory. DLA planned to accumulate sales and obligations data on a monthly basis to determine the reimbursement amounts for FY 1998.

**Accuracy of Reimbursement Amount.** To verify the accuracy of the DLA reimbursement amount, we reviewed the sales and obligations data (for a judgmental sample, stratified by Military Department) of 300 CIT, phase II items that were accumulated in the DLA Standard Automated Materiel Management System at three DLA ICPs. We reviewed about \$89.5 million (22 percent of the \$410.8 million) in sales revenues and about \$30.3 million (17 percent of the \$181.8 million) in contractual obligations that the three DLA ICPs incurred during FY 1997. The actual sales amounts recorded by the DLA ICPs agreed with the sales and obligations amounts recorded by the DLA Comptroller for 296 of the 300 items reviewed. We verified that \$86.1 million in actual sales agreed with the amounts the DLA Comptroller recorded. The difference, \$3.4 million (\$89.5 million - \$86.1 million), was attributable to four items that had been transferred between two DLA ICPs during FY 1997. Our test of 300 items included 62 items with obligations valued at about \$30.3 million. We verified that \$27.9 million agreed with the amounts the

## **Cash Reimbursements for Consumable Items Transferred**

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DLA Comptroller recorded. The difference, \$2.4 million (\$30.3 million - \$27.9 million), was attributable to one of the four items that had been transferred between two DLA ICPs during FY 1997.

## **Items Transferred Between DLA ICPs During FY 1997**

During FY 1997, as part of the Defense Base Closure and Realignment Act of 1990, DLA transferred groups of national stock numbers, known as Federal stock classes, between the three remaining DLA ICPs. Based on the results of our 300 sampled items, we determined that the DLA methodology for tracking CIT, phase II sales and obligations did not account for sales and obligations for items transferred between two DLA ICPs after the initial transfer from the respective Military Department ICP. For the four items in our sample, the DLA Comptroller did not account for \$3.4 million in sales and \$2.4 million in obligations, for a net difference of \$1 million in reimbursements due the Military Departments. We did not determine the total number of CIT, phase II items that DLA transferred during FY 1997. Therefore, DLA should determine the additional sales and obligations attributable to the CIT, phase II items that were transferred between the DLA ICPs during FY 1997, so appropriate adjustments can be made to the FY 1997 reimbursements due the Military Departments. We plan to verify the additional sales and obligations data during our audit of the cash impact of the CIT, phase II, FY 1998.

## **Conclusion**

Except for items transferred between DLA ICPs, the method and data that DLA used to compute the reimbursement amounts for the CIT, phase II items were objective and accurate for the items we tested. Based on our review of the methodology and the items tested, the \$229.1 million reimbursement amount that DLA calculated for items transferred in FY 1997 was appropriate.

## **Recommendation, Management Comments, and Audit Response**

We recommend that the Director, Defense Logistics Agency, determine the additional amount of sales and obligations that are attributable to consumable item transfer, phase II items that were transferred between the Defense Logistics Agency inventory control points during FY 1997, so that appropriate adjustments can be made to the FY 1997 reimbursements due the Military Departments.

## Cash Reimbursements for Consumable Items Transferred

**Management Comments.** The Deputy Director, DLA agreed with the reimbursement amount of \$229.1 million to the Military Departments and concurred with our recommendation. The Deputy Director stated that available data were being reviewed to determine whether it is possible, and if so, cost-feasible to determine the additional sales and obligations that were attributable to the phase II items that were transferred between DLA inventory control points during FY 1997. The Deputy Director further stated that the results of the review will be provided to the Office of the Under Secretary of Defense (Comptroller) so that appropriate adjustments can be made to the FY 1997 reimbursements due the Military Departments. The estimated completion date is July 1, 1998.

**Audit Response.** Comments from the Deputy Director were responsive. We will verify the amounts of the additional sales and obligations in our scheduled audit on the CIT, phase II cash impact for FY 1998.

## **Part II - Additional Information**

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## Appendix A. Audit Process

### Scope and Methodology

**Scope.** We reviewed the processes that DLA and the Military Departments used to compute the estimated cash reimbursement amounts to be given to the Military Departments as a result of CIT, phase II. We reviewed accounting reports and item transaction history reports for FY 1997. We reviewed the procedure that DLA used to gather FY 1997 sales and obligations data for CIT, phase II items.

**Methodology.** We reviewed FY 1997 sales and obligations data for a judgmental sample, stratified by Military Department, of 300 CIT, phase II items that had been transferred to DLA as of September 30, 1997. Our sample was selected from a universe of 96,649 items and included those items that had the highest demand values for the 12 months preceding the transfer to DLA (see Table A). The 300 sampled items represented \$217.4 million of the \$563.5 million in annual demand value that was attributable to the universe of 96,649 CIT, phase II items. We compared the actual sales and obligations data that were recorded at three DLA ICPs (Defense Industrial Supply Center, Philadelphia, Pennsylvania; Defense Supply Center Columbus, Columbus, Ohio; and the Defense Supply Center Richmond, Richmond, Virginia) to similar data that the DLA Comptroller accumulated in an effort to determine amounts to be reimbursed to the Military Departments as a result of CIT, phase II transfers. As of May 1997, management of 96,649 of a projected 150,866 phase II consumable items had been transferred from the Military Departments to DLA.

**Table A. Transfer of Consumable Items**

<u>Military Department</u>	Items Scheduled to be <u>Transferred</u>	Items <u>Transferred</u>	Items <u>Sampled</u>
Army	19,593	14,426	54
Navy	35,628	21,296	77
Air Force	<u>95,645</u>	<u>60,927</u>	<u>169</u>
<b>Total</b>	<b>150,866</b>	<b>96,649</b>	<b>300</b>

**Use of Computer-Processed Data.** We verified information sampled from the DLA Standard Automated Materiel Management System database maintained by DLA for items transferred from the ICPs of the Military Departments, and from the database of sales and obligations maintained by the DLA Comptroller for

CIT, phase II items. Data tests showed that records in each database were reliable. We made no independent assessments of the reliability of computer-processed data used in the audit.

**Audit Type, Dates, and Standards.** We performed this economy and efficiency audit from May through October 1997 in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD. Accordingly, we included tests of management controls considered necessary.

**Contacts During the Audit.** We visited or contacted individuals and organizations within DoD. Further details are available on request.

## Management Control Program

DoD Directive 5010.38, "Management Control Program," August 26, 1996, requires DoD organizations to implement a comprehensive system of management controls that provides reasonable assurance that programs are operating as intended and to evaluate the adequacy of the controls.

**Scope of Review of Management Control Program.** We reviewed the adequacy of the DLA management controls over the CIT, phase II as they related to the methodology used by DLA to determine the cash reimbursement amounts for the Military Departments' Supply Management business areas of the Defense Working Capital fund.

**Adequacy of Management Controls.** The DLA management controls we reviewed were adequate; we identified no materiel management control weaknesses.

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## Appendix B. Summary of Prior Coverage

**Inspector General, DoD, Report No. 97-226, "Consumable Item Transfer, Phase II, Management," September 30, 1997.** The report states that generally, the CIT, phase II was being effectively implemented, and that items were transferred with appropriate logistics data. However, the Military Departments inappropriately retained management of 4 1,300 consumable items that should have been transferred to DLA. Also, the Military Departments did not provide full pipelines of inventory assets to DLA when transferring phase II items. DLA identified a \$125 million pipeline asset shortage for CIT, phase II items that reduced supply availability for transferred items and could reduce the readiness of the Military Departments' weapons systems. The report recommended that the Deputy Under Secretary of Defense (Logistics) direct the Military Departments to rescreen consumable items retained for management, transfer items appropriately, and justify the retention of items in accordance with DoD policy. The report also recommended that the Military Departments establish controls to ensure that DLA was provided with full pipelines of assets for CIT, phase II items and that Military Department ICPs validate open purchase requests for phase II items, expedite contractual orders, and advise DLA ICPs of delays and cancellations of purchase requests. Additionally, the report recommended that the Director, DLA, direct the Defense Industrial Supply Center and the Defense Supply Center, Columbus, to identify potential supply support problems for phase II items and coordinate remedial action with Military Department ICPs. The Deputy Under Secretary, DLA, and the Military Departments generally concurred with the recommendations and planned or took action to satisfy the intent of the recommendations.

**Inspector General, DoD, Report No. 97-106, "Consumable Item Transfer, Phase II, Cash Imbalance Issue," March 5, 1997.** The report states that each Military Department computed cash reimbursement estimates differently. The amounts were based on projected lost sales revenue, anticipated disbursements on vendor deliveries for outstanding orders for phase II items, or a combination of lost sales revenue and disbursements. DLA devised a method that used actual sales of phase II items and the related obligations to replenish inventory. The DLA methodology was the most accurate and consistent way to determine the cash reimbursements due the Military Departments. The reimbursement amount that DLA calculated for FY 1996 CIT, phase II transfers was \$66.5 million, about \$80 million less than the Military Departments estimated. The report concluded that the method and data that DLA used to estimate the reimbursement amounts for CIT, phase II items were the most objective. The report stated further that the method DLA used in determining cash reimbursement amounts should continue to be used for the remainder of CIT, phase II. Although the report made no recommendations, comments on the report from the Military Departments generally nonconcurred with the audit results. We did not pursue obtaining concurrences from the Military Departments because the Deputy Comptroller accepted our report and because the budget cycle period that the audit covered had ended.

**Inspector General, DoD, Report No. 94-071, "Transfer of the Management of Consumable Items to the Defense Logistics Agency," March 31, 1994.** The report states that the CIT, phase I program was generally effective.

However, there was an inadequate baseline of consumable items to be transferred; filter criteria used to identify items for transfer were revised and not consistently applied at the losing ICPs; DoD procedures for making logistics reassignments were not fully complied with, some essential logistics data were not transferred from the Military Departments to DLA; and no methodology to incorporate program requirements data into the transfer process was established, impacting weapons systems support programs. The report also states that the Military Departments transferred substantial amounts of excess inventory with inactive phase I items. About \$259 million in excess inventory had been transferred with about 10,000 inactive items. The report recommended that the Military Departments follow the prescribed DoD criteria in reviewing consumable items for transfer. The report also recommended that staffing levels at DoD ICPs be reviewed, communication and recording of essential logistics data for transferred items be improved, and controls be implemented to ensure that DLA inventory managers use the data. Finally, the report recommended that the Military Departments delete inactive items from their supply systems and dispose of excess inventory before transfer actions were initiated. DLA and the Military Departments generally concurred with the recommendations and planned to take or took actions to satisfy the intent of our recommendations.

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Deputy Comptroller (Program and Budget)  
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Deputy Chief of Staff (Logistics)  
Commander, Army Materiel Command  
Auditor General, Department of the Army

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## **Part III - Management Comments**



# Defense Logistics Agency Comments



**DEFENSE LOGISTICS AGENCY**  
HEADQUARTERS  
8725 JOHN J. KINGMAN ROAD, SUITE 2533  
FT. BELVOIR, VIRGINIA 221X0-622 1

N REPLY  
REFER TO DDAI


JAN 15 1998

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDITING  
DEPARTMENT OF DEFENSE

SUBJECT: Draft Report: Cash Impact of the Consumable Item Transfer, Phase II, FY 1997  
(Project No. 7LD-5038)

This is in response to the December 4, 1997 request. If you have any questions, please contact  
Mr. Dave Stumpf, (703) 767-6266.

Encl

  
SHEILA RAINES  
Team Leader, Liaison and Policy  
Internal Review Office

**Subject:** Cash Impact of the Consumable Item Transfer, Phase II, FY 1997  
(Project No. 7LD-5038)

**Finding A. Cash Reimbursements for Consumable Items Transferred.** The DLA used a method to compute the cash reimbursement amounts due the Military Departments for the CIT, phase II items transferred to DLA that was correct. However, DLA excluded reimbursement amounts for items **further** transferred between DLA ICPs. The DLA based the reimbursement amounts on total **sales** less obligations incurred for phase II item stock replenishments. Using the DLA methodology, the reimbursement amount of **\$229.1** million was appropriate for FY 1997.

**DLA Comments:** Concur. DLA agrees with the reimbursement amount of **\$229.1M** for FY 1997. We **also** agree that this amount does not reflect those CIT Phase II items that transferred between ICPs during FY 1997.

Action Officer: Barbara Donegan, FOXP, 767-7249

Review/Approval: Billie Blackman, FOX, 767-7293

Coordination: Dave Stumpf, DDAI, 767-6266

**DLA Approval:**



E.R. CHAMBERLIN  
Rear Admiral, SC, USN  
Deputy Director

## Defense Logistics Agency Comments

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**Subject:** Cash Impact of the Consumable Item Transfer, Phase II, FY 1997

**Recommendations 1:** We recommend that the Director, Defense Logistics Agency, determine the additional amount of sales and obligations that are attributable to consumable item transfer, phase II items that were transferred between the Defense Logistic Agency inventory control points during FY 1997, so that appropriate adjustments can be made to the FY 1997 reimbursements due the Military Departments.

**DLA Comments:** Concur. We are reviewing available data to determine whether it is possible, and if so, cost-feasible to determine the additional amount of sales and obligations that are attributable to the CIT Phase II items transferred between DLA inventory control points during FY 1997. We will provide the results of our review to OUSD(C) so that appropriate adjustments can be made to the FY 1997 reimbursements due the Military Departments.

**Disposition:** Action is ongoing. ECD: 7/1/98

Action Officer: Barbara Donegan, FOXP, 767-7249

Review/Approval: Billie Blackman, FOX, 767-7293

Coordination: Dave Stumpf, DDAI, 767-6266

**DLA Approval:**



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